

Title: Performance Management Practices in Portugal
What and why is not working?

Field of study: People & Organizations

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ABSTRACT

Performance management and assessment has returned to the forefront of the public debate in Portugal, at the same time that some international studies point Portugal as a country with bad management practices, highlighting performance management practices. Despite all this attention, there is little information about how those practices are applied in the country. This research's goal is to assess why performance management systems and practices are so poorly applied in Portugal. To achieve this goal we studied employees' perception about the topic and diagnose the associated problems. The methodology comprised inductive and qualitative research, in the form of interviews with employees from different professions, industries, hierarchies, and ages. Our findings suggest that performance management failure is related with a procedural problem with three different dimensions: Insufficient Planning, Process & Integrity Issues, and Non-Meritocratic Logic. By exposing the different components of the Portuguese performance management problem, we shed light into the topic and allow organizations to understand and face their performance management systems' flaws.

INTRODUCTION

Portugal is a country constantly ranked low in productivity rankings, making the productivity factor one of the most recurring reasons pointed as the problem for the Portuguese economy bad performance. According to OECD (Organization for Economic Co-operation and Development) stats, in 2013 Portugal ranked 25th out of the 34 member countries in terms of GDP per hour worked.

At the same time, Bloom et al. (2012) measured management practices across countries, and pointed Portugal as one of the countries with the worse management practices in the developed world. This study measured management practices in three key areas: monitoring, targets, and incentives, aiming to understand how organizations promote and manage employee's performance. Likewise, The Human Capital Report (2013), performed by the World Economic Forum, places Portugal in place 102 out of 122 countries in the category "Pay related to productivity", which is also understood by the authors as a indicator for poor performance management.

The link between productivity and management practices looks apparent, being the latter somehow responsible for part of the former. Different components of management may influence the Portuguese bad performance on management practices, but in fact one that is

recurrently discussed in Portugal is performance management and assessment. One of the most famous facts related to this topic occurred in 2008, when professors from the public sector went on strike and promoted different public demonstrations against the intention of the government to enforce a performance appraisal to evaluate them (*O Público*, 2008). Additionally, in the beginning of 2014, the Portuguese government announced that performance evaluation would become the first criteria to dismiss employees in the country (Silva CO, 2014), and therefore all Portuguese companies should evaluate their employees. Despite the relevance of the topic, and the fact that a 2012 study from SHL Portugal indicates that a significant number of Portuguese companies have implemented performance evaluation and management programs (Fernandes and Moreninho, 2012), the general feeling, corroborated by Bloom et al. (2012), is that Portugal still lacks a performance management and evaluation culture, and that performance management programs aren't achieving the results that are designed for. Moreover, the assessment of the performance management practices in Portugal is a topic that was not yet studied, and relevant data about employees' experience and opinions about this matter were never collected. As Posthuma and Campion (2008) stated, "too much attention has been placed on the design of a (performance management) system, and not enough on how it works when implemented".

Therefore, in this thesis we intend to study and understand the common practices about this topic in Portugal, and make an assessment about how performance management is applied. What is the reason for Bloom's et al. conclusions about Portugal? Why isn't performance evaluation being effectively held in most of the companies operating in the country? What is the employees' experience concerning performance management? How do they describe the performance management practices and programs? Do organizations define clear and objective goals to all employees, and do they clearly communicate them? How are employees informed about their performance? Do companies take care about the feedback they provide? Are team leaders prepared to take the performance management responsibilities the organizations assign to them? What are the consequences of performance evaluation? Do employees perceive performance management systems as fair and trustable?

These are some questions we wish to answer with this thesis. We expect to make a diagnostic about the country's performance assessment and management culture, what is and what is not working, in order to correlate them with the country's management practices results, and also to make suggestions about how this practice can be improved.

To achieve these goals, we structured this document as follows. First, we start by reviewing relevant literature about performance management, and try to understand the studies and the conclusions that both researchers and practitioners have reached, in order to organize and develop the guidelines for our study. We would like to understand why is this a relevant topic for management, how are performance programs designed, and what are the drivers for effective performance management practices. Second, we present our research, which is based on open one-on-one “in vivo” (Van Maanen, 1979) interviews with different employees from different sectors of activity and hierarchical levels. Using the qualitative data collected, we try to understand the main problems pointed by employees regarding performance management in Portugal. Finally we present our findings and discuss its implications for companies and for the country.

STATEMENT OF THE RESEARCH PROBLEM

Why are the Portuguese performance management practices as bad as described by Bloom et al. and by the World Economic Forum? Why aren't performance management and evaluation systems implemented in the country effective?

LITERATURE REVIEW

Manage human resources and improve individual, team and organizational performance, are great challenges for managers and for organizations as a whole. Performance management, the “continuous process of identifying, measuring and developing the performance of organization members and aligning performance with the strategic goals of the Organization” (Aguinis, 2007), has become one of the hot topics in the area, and one of the key issues where companies wish to excel. Moreover, performance Management “has been one of the most praised, criticized, and debated management practices for decades” (Lawler, 1994) and “it continues to be a major source of frustration for managers” (McDonald and Smith, 1995).

Researchers and practitioners have developed different studies, resulting in many performance appraisal programs designs, in order to take the best of each employee and ultimately improve the organizations performance (Denisi, 2000). The idea “is to develop techniques that will help employees meet their personal goals (for growth, development and personal success), but which will also help the organization to function more effectively”

(Denisi and Smith, 2014). The implicit assumption is that improving individual employee performance will eventually lead to improvements at a firm performance level. Despite having started a debate around this topic, and proving that a direct correlation between individual and firm performance is difficult to support, Denisi and Smith (2014) also defend that a firm is unlikely to improve its performance without improving some of their employees' performance. Nevertheless, Denisi and Smith (2014) also concluded that firm-level performance is unlikely to be just the sum of individual performances, acknowledging "the importance of both strategy and climate". Moreover, Haines III and St-Onge (2012) investigation "provides support for the idea that performance management effectiveness is not only a function of system design or best practices, but also of programme implementation and execution in different organizational contexts". Fundamentally, it points out to the fact that organizational culture and climate may also influence the effectiveness of the performance management tools. Other researchers claim that it is how the system is implemented that makes a crucial difference between successful and unsuccessful systems. "When implemented and maintained improperly, performance management can become a burden rather than a motivational tool and can create significant employee relations problems" (Biron, Farndale and Paauwe, 2011).

As suggested by Haines III and St-Onge (2012), to understand how effective and successful are the performance management systems, we therefore need to assess two main topics, how and in what organizational context are those practices implemented.

Implementing performance management

More than the design of the performance management systems itself, there are specific features of these systems that are crucial to "leverage the effectiveness of performance management systems" (Biron, Farndale and Paauwe, 2011). Different literature suggest that the practices which are essential to a successful implementation of performance management, are related to the organizations' communication regarding performance, the employee recognition, the performance management training received by raters and managers, and finally the involvement of senior management on performance management implementation of these systems.

A fundamental practice for the success of performance management is the capability of management to communicate a clear message regarding employees' performance expectations and feedback. Is important for employees to understand what the organization expects from them, both in the short and long term, and later what it thinks about the accomplishment of performance expectations. Biron, Farndale and Paauwe (2011) support

the relevance of a clear message regarding employees' expectations on the success of the performance management, while Selvarajan and Cloninger (2012) confirm the importance (Mexican) employees give to quality and rich feedback, associating it with feelings of fairness and accuracy of the system. Providing clear, direct, and constant feedback regarding performance is therefore vital. First, to update employees in a regular basis, so they can immediately improve and change their actions, and second because it makes it easier to explain and justify the outcome of a performance appraisal. As Zenger and Folkman (2014) reveal in their study, employees seek for feedback, and in fact they even "believe constructive criticism is essential to their career development", although "their leaders often don't feel comfortable offering it up". The ability to give quality feedback not only motivates employees and helps them to improve, but also provides clear evidence of the management's perception regarding their employees' performance.

Employee recognition is another practice that drives effectiveness of performance management systems, since it signals the behavior organizations value, consequently shaping employees' behaviors and improving performance (Haines III and St-Onge, 2012). In fact, these authors attested that social rewards, such as employee recognition, can be more effective than financial rewards.

Performance management programs perceived justice is inly linked with the training and preparation of managers that are responsible for performance plan, coach, assessment and review. Since performance management practices implementation relies significantly on the shoulders of these managers, their level of preparation is decisive to the outcome of these programs (Haines III and St-Onge, 2012). For instance, performance appraisal training improves overall rating accuracy, as well as it reduces the risk of rater bias (intentional or unintentional deflated/inflated performance scores). Management and rater training also signals to the all organization these systems' importance to top-management, as well as their commitment to obtain the most accurate and unbiased results out of the performance evaluation programs (Biron, Farndale and Paauwe, 2011).

Finally, the involvement of senior executives on performance management systems has been proved to have a direct impact on its success (Glendinning 2002), since it signals the alignment between HR practices and firm's objectives (Wright and McMahan 1992). Otherwise, staff and employees may sense the performance management systems simply as an HR administrative procedure, making it unlikely to create engagement, and jeopardizing the potential of these tools.

Organizational context

As claimed by many authors, such as Levy and Williams (2004), organizational context is very relevant in the performance management process, influencing its effectiveness and outcome. Haines III and St-Onge (2012) suggest three contextual factors to have a strong correlation with the system effectiveness: organizational culture, employee relations climate and strategic integration of human resource management.

Organizational culture influences how performance management practices are accepted and perceived within organizations. For instance, an organization that values employee engagement, development and participation, is more likely to foster commitment and motivation among employees, leading to a better outcome of performance management programs.

Another factor relevant for the organizational context is the quality of the relations between employees and managers at any given time, or in other words the employee relations climate, which is also associated with performance management effectiveness (Haines III and St-Onge, 2012). Fletcher (2001) acknowledges that more than the technicalities of the performance management systems, social aspects involved in the performance management practices may have a greater influence in the outcome. And Haines III and St-Onge (2012) believe that this outcome should be much more effective with organization's ability to develop quality relations between leaders and subordinates.

The last contextual factor suggested by Haines III and St-Onge (2012), points the strategic integration of human capital practices as another cause for the effectiveness of the performance management systems. Integration is accomplished through the alignment between performance management practices, the organizations' objectives and policies. This is where the goals definition becomes a key element of performance management systems. Biron, Farndale and Paauwe (2011) divide it in two categories: strategic goals and tactical goals. The strategic goals define the strategic business objectives that intend to drive top management. The ability to link them with individual goals is crucial, so employees are aware that their performance is aligned and have an impact on the organization's success. This definition highlights the efforts, the attitudes and behaviors that are valuable and have the potential to benefit the organization, sending a clear message about the importance of the individual performances. The other category of goals definition, tactical goals, is related to the performance-based rewards, and are the ones responsible for supporting HR decisions such as salary adjustments, promotions, employee retention and termination, performance recognition, etc. Making it clear what are the triggers for the rewards decisions

is important for focusing the employees on what the organization really values. Also these goals provide helpful indications to the management about the employees' strengths and weaknesses, allowing specific coaching to each employee. Therefore, strategic integration of human resource management is fundamental for signaling to the employees the importance of performance management for the organization, consequently contributing for improving the effectiveness of the performance management systems.

Based on the literature reviewed, the authors' perspective is that implementation practices and organizational context are key to understand the organizations' involvement into performance management, and may be a good proxy to determine their effort towards the effectiveness of the performance evaluation programs.

METHODOLOGY

One possible approach to understand performance management practices in Portugal could have been the development of a questionnaire to different Portuguese companies, in order to assess the most common practices and to point the main features of performance evaluation programs or management instruments. However, not only this kind of study is more commonly developed [the report presented by Fernandes and Moreninho (2012) is just one example], but also it adds little information to the effectiveness of performance management systems. It was clear for the authors that qualitative research had to be developed under this topic, but it had to comprise more than just people responsible for the design, implementation, monitoring and administration of the performance management systems. If the aim was to understand Portuguese companies' performance management practices, it had to include all categories of employees that are prime subjects of these systems, since their opinions, feelings, perceptions, and mainly their actions regarding performance management and evaluation are decisive for the success of these programs (Selvarajan and Cloninger, 2012). Is not possible to take advantage of performance management tools without convincing employees about its importance and benefits. Thus, what was relevant for this study was not to know and understand the different program designs that were implemented in Portugal, but to acknowledge its effectiveness and its subsequent reasons.

Accordingly, this study was conducted with information gathered "in vivo" (Van Maanen, 1979), and open one-on-one interviews were held, with different hierarchical levels of employees – from top management to non-management positions – of different kinds of

companies – from corporate, to SME, to public. The methodology consisted in gathering information from the people actually experiencing those events (Van Maanen, 1979), constructing our research analysis from the insiders' point of view (Van Maanen, 1988). The underlined idea was that having self-reported information, and a broad perspective on how different employees from different sectors of the organizations saw performance management and assessment, would help to understand the problems and virtues of this kind of practices. Our aim was to infer common patterns and ideas from the data gathered from the different informants, therefore the inductive method was chosen to perform our research. When compared to the deductive method, the inductive provides more educational and unrestricted data (Babbie, 2012 and 2014). This “bottom up” approach is therefore an interpretive approach over the first-order concepts obtained from the interviewees' answers, “and deeper, more theoretical second-order interpretations” (Van Maanen, 1979) were formulated, in order to further develop the discussed topics into well-based theory.

Sampling Process

The sample for this research was composed by a total of thirty-two (32) employees currently working in Portugal, both in Portuguese and international companies. One of the authors conducted semi-structured interviews with each employee, in order to collect the data needed to perform the research – no employee was interviewed more than once. The number of interviews, number of employees consulted, was not determined *a priori*. The authors kept performing interviews until they felt that new informants were not adding new and relevant information from the previous informants.

Our interviewees' age ranged from 22 to 60, and eighteen (18) were female employees. From the thirty-two (32) employees, four (4) had top management positions, ten (10) had middle-management positions, and the remaining had non-management positions, meaning that they were not responsible for assessing other employees' performances. Eight (8) of our interviewees were currently working in the public sector, and at least another three (3) stated they had also previous experience in the public sector.

Aiming to maximize the diversity of the sample in terms of hierarchical positions, industry, type and size of the companies, a first set of twelve (12) interviewees, that experienced performance management practices, was carefully chosen by the field research author. Accordingly to this principle of diversity, this first set comprised: two HR professionals (one top manager), two business consultants (one senior and one junior), two public healthcare professionals, one top manager from a SME, one sales manager, one banking professional, one insurance professional, one professor from the public sector, and one public university

researcher. The author then asked the interviewees and other contacts to indicate other people with performance assessment experience to be interviewed. This procedure assured the diversity of the sample that we were aiming for.

Data Collection

The author responsible for the field data collection had a first conversation (personal, over the telephone, or by email) with the interview's candidates, asking for the authorization to perform the interview, stating the purpose of the interview, and explaining the management problem to be discussed. Total confidentiality about their identities and company names was guaranteed, so that the interviewees wouldn't find any constraints in revealing their honest opinion. The interviews were then held under a semi-structured format, with six main topics commonly discussed through all interviews: *The interviewee experience with performance assessment; The target setting process, and the quality of the personal objectives definition; Performance monitoring and the feedback quality; The implications of the performance assessment; The incentives definition and management; Global appreciation of the Portuguese Performance Management Assessment Practices, its effectiveness and justice.* The choice of these main topics resulted from the literature reviewed (e.g. Bloom et al., 2012; Biron, Farndale and Paauwe, 2011; Haines III and St-Onge, 2012; Selvarajan and Cloninger, 2012), and from the authors' interpretation of what was crucial to be assessed for the research purpose. Yet the interviews had the least possible interference from the author, so that the interviewees were not influenced by the author's opinion and knowledge on the subject.

The interviews were performed over a three-month period in the beginning of 2014, and ranged between 20 and 41 minutes in length, being the average 29 minutes.

Data analysis

With the information obtained from interviews, we developed a first-order analysis (Van Maanen, 1979) that consisted in identifying common and recurring issues pointed by different interviewees, or issues that seemed critical to the interviewees' experience. We then combined these common issues into twenty-seven (27) first-order concepts, trying to keep this concepts as faithful as possible to the "informants' own language" (Clark et al., 2010).

Already through the interview process some patterns concerning the performance management systems became clear, and later, as we were progressing in the analysis of

the transcripts, we continued pursuing more relationships in the first-order concepts. Ultimately, these relationships disclosed new thematic categories that were not evident in the first concepts. From this second-order analysis, six main themes became evident: *Poor Communication, Unclear Goals-Definition, Transparency Issues, Organization's Lack of Commitment, Equality Logic, and Inconsequence*.

The last step of our analysis consisted in a high level interpretation of the second-order themes, and the first-order concepts that lead to them, resulting in three overarching dimensions that may help to answer the management problem of this research. If the second-order themes weren't all clear from the first-order data gathered, these dimensions required an even higher level of abstraction (Silva et al., 2014), and a deep understanding about the issues that were conveyed by the different informants. The six second-order themes were grouped in pairs into three overarching dimensions: *Insufficient Planning, Process and Integrity Issues, and Non-Meritocratic Logic*.

Finally, a reliability check was conducted, and the frameworks obtained in the research were presented to some of our interviewees in order to validate the attained conclusions. It was imperative to confirm that the frameworks acknowledged the experience of the employees.

Figure 1 - Data Structure

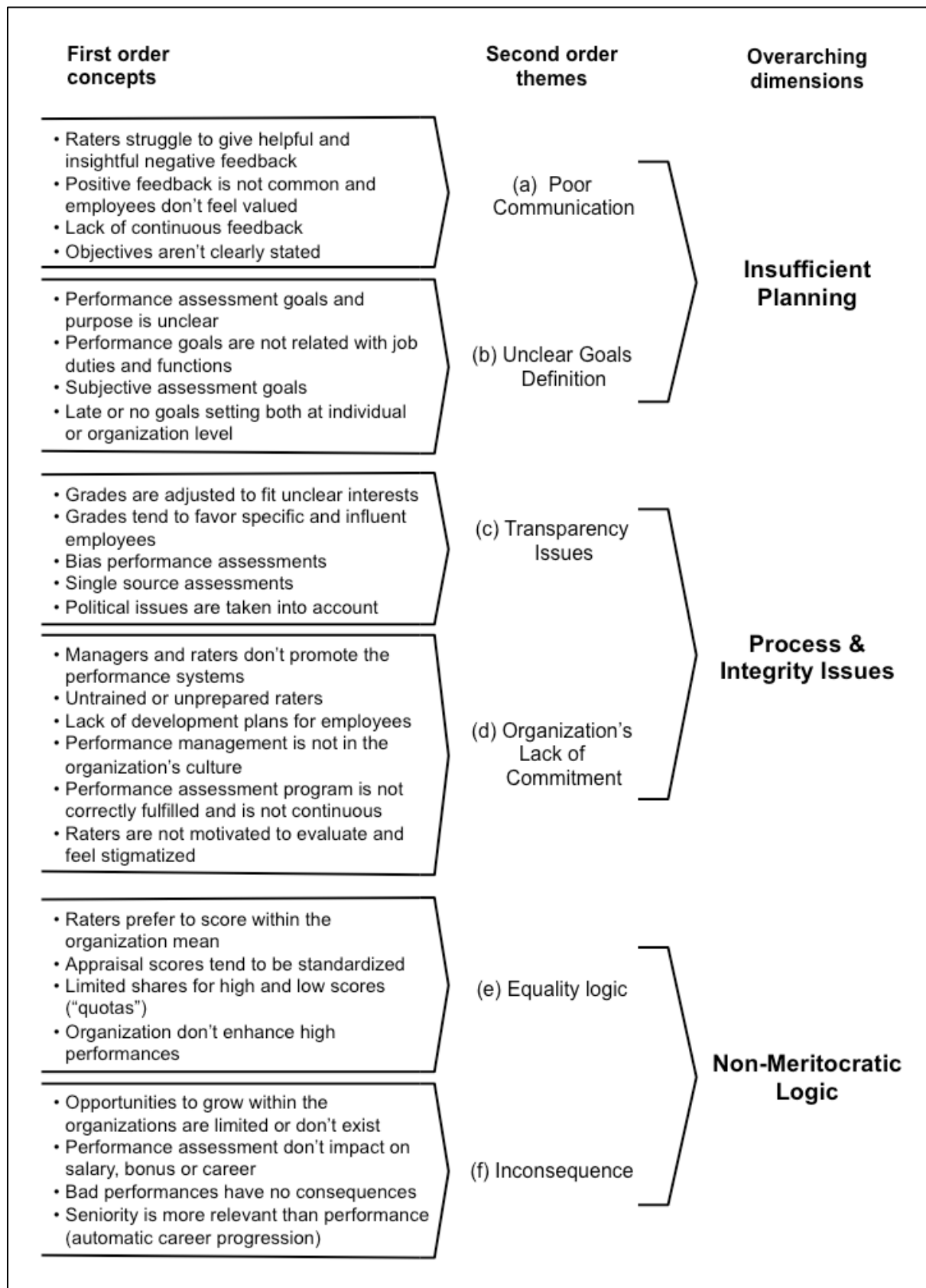


Table 1 - Representative Supporting Data for Each 2nd Order Theme

| 2nd order themes | Representative 1st order evidence |
|--|---|
| <i>(a) Poor Communication</i> | <ul style="list-style-type: none"> • “People that evaluate sometimes don’t have the guts to give employees a real message about their performance, to give clear negative feedback.” • “Raters don’t even talk with the employees they are evaluating.” • “Our superiors barely speak to us, they are more worried with other tasks, and they lack time to performance management duties.” • “(In my company) there is no culture of giving feedback.” • “We don’t value what is well done, we take it for granted. (...) We tend to highlight too many times the mistakes, to destroy people’s efforts, and kill creativity. In Portugal we don’t value peoples’ work.” • “It would be nice to hear that I have been doing a good job, and I only get that feedback if I ask it.” • “I do not receive any continuous feedback throughout the year, except if I finish an important project.” • “There is no discussion regarding evaluation or even a talk regarding next years’ expectations and goals. It would be nice to know what does the organization expects from me in the next year.” • “I wasn’t aware about the performance evaluation criteria before being evaluated for the first time.” |
| <i>(b) Unclear Goals-Definition</i> | <ul style="list-style-type: none"> • “The goals choice is not the best, since it focus only on the administrative side of our duties, and lacks to assess our main duty or role in the organization.” • “It is not clear why some objectives are given to some people. It seems there is no planning regarding goals definition.” • “We are not being evaluated for what is relevant to our job function.” • “No individual or team goals are defined.” • “There is a part of the evaluation that is very subjective, and the goals may be differently assessed by different people.” • “The performance evaluation is not based on goals, because the goals that are defined are too vague and subjective.” • “Most of the times goals are defined in the middle of the year (middle of the evaluating period).” • “My objectives are defined throughout the year.” |
| <i>(c) Transparency Issues</i> | <ul style="list-style-type: none"> • “It allows grades adjustments to achieve the desired consequences.” • “I suspect that performance appraisals are manipulated.” • “A rater confessed that my grade had to be adjusted, since they had to downsize my team and I was the younger employee.” • “Here (in Portugal) there is a preferentialism culture.” • “Performance evaluation is influenced by personal relationships between raters and assessed employees.” • “Basing (performance evaluation) in just one person is very dangerous.” • “There are some cases where some people are favored, specially if they have a famous family name or something similar.” • “Some people are favored because their director is more influent with the administrator than other people’s directors.” |
| <i>(d) Organization’s Lack of Commitment</i> | <ul style="list-style-type: none"> • “Leaders just don’t care about assessing people’s performance.” • “My unit does not follows the organization’s (performance) guidelines, and this is the easiest way to say that they don’t want to assess their employees’ performance.” • “My superiors don’t value the feedback meetings that I promote in the end of each project.” • “Performance assessment takes time, is costly, and may be unpleasant. Managers just don’t want to bother with all that.” |

- “I was never trained to evaluate or to give feedback, (...) I had to learn how to do it through experience.”
- “Our company simply trusts in the raters’ judgment.”
- “Performance management is pointless, because our career plan is not defined. There are no guidelines to our career development.”
- “Our Organization doesn’t have career progression plans for any employee.”
- “The performance evaluation process is merely administrative.”
- “The assessment is not performed on a regular basis, is done sporadically and in a rush.”
- “Raters have no personal, professional or financial incentive to evaluate, and they can even damage their professional relations and be stigmatized if they give a bad grade to their colleges.”

(e) Equality Logic

- “When a rater is not confident, he prefers to give the same grade that all the others raters do, since he will have less trouble to explain grades inside the mean.”
- “High grades demand strong and plenty evidences, as well as a high bureaucracy, and raters wish to avoid it.”
- “There are only two types of grades, ‘Satisfy’ or ‘Not Satisfy’, and I don’t know anyone that has had a ‘Not Satisfy’.”
- “I have the same evaluation grade for 11 years.”
- “Grades are almost the same for every employee.”
- “Despite having a grading scale ranging from 1 to 4, we (employees) know that most of us will have a ‘2’.”
- “The quota systems limit employees to have the grades they really deserve.”
- “The quota system induces ‘politic’ games since the same unit may not have the top grades two years in a row.”
- “Despite my organization have created a special award to promote high performers, my unit chooses not to give it, since for them ‘all the unit employees are very good’.”
- “There is this theory in the organization that if good grades are given, employees will start to relax.”

(f) Inconsequence

- “One of the problems of performance management appraisals in Portugal is that it has no impact on people’s careers”
 - “It is worthless to invest in the employees’ development if we don’t give them opportunities to grow within the organization.”
 - “There is no prospect of career progression inside the company.”
 - “Higher positions in the company are fulfilled by external people, and never by people already working in the company.”
 - “Nowadays (since career progression is suspended), the performance evaluation is useless.”
 - “People who have better grades only have a salary increase of 1 or 2% above the rest.”
 - “I struggle to find any relation between my performance and my salary progression.”
 - “Despite having good grades, I have the same salary for 10 years.”
 - “The bonus distribution is the same for everyone despite the evaluation.”
 - “No one would ever be fired because of a bad evaluation.”
 - “Employees’ that have poor grades know they won’t be punished, and so they don’t care to improve. (...) They could even have a bad grade for 10 years that nothing would happen.”
 - “In Portugal career progression is still like a ‘stair’, where people progress based on their age, and time in the company. Is a way people have to take and where performance is irrelevant.”
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FINDINGS

Figure 1 synthetizes the result of our analytical approach, and shows the three interpretive orders our method embraced. The first column displays the first-order concepts transmitted by the interviewees or informants, the second column represents the main themes that group the first-order concepts, and finally the last column depicts the dimensions that resulted from the other two orders analysis (Clark et al., 2010). In addition, Table 1 presents supporting interviews' evidence for each of the second-order themes.

Last column's dimensions are the last step of our analysis and comprise overarching causes for the performance management situation in Portugal: The performance management insufficient planning, the process and integrity issues that organizations still need to solve, and the non-meritocratic logic where the country still leaves in.

Figure 1 also suggest a sequence between dimensions, since each different dimension associates with a stage of the performance management problem: the Planning dimension relates to the formulation problem, the Process dimension to the implementation problem, and the Meritocracy dimension to the consequences problem.

Insufficient Planning

Two recurring themes that informants referred were related to the organizations' poor communication policies and the goals definition process.

Second order theme (a) Poor communication – Communication is key in every organization. As it became evident it is essential for employees to understand their role, to establish expectations, and to build commitment (Biron, Farndale and Paauwe, 2011). Therefore, employees feel lost when companies lack to communicate properly with them: "it would be nice to know what does the organization expects from me", stated one of our informants. Communication problems become even more relevant when organizations implement performance management programs without improving communication between employees and their superiors, "our superiors barely speak to us (...) and they lack time to performance management duties". Another informant pointed out, "there is nothing worse that not knowing what the organization thinks or expects from us". In fact, during this research it became clear that Portuguese companies urge to change their communication paradigm, since a great majority of our informants complained about the feedback related to their work, and the lack of information regarding the performance management systems: "I wasn't aware about performance evaluation criteria". On the other hand, informants also felt poorly valued by their organizations. In line with Zenger and Folkman's (2014) article, interviewees

also claimed for more “negative” feedback that would help them to improve their performance, at the same time they recognize that raters avoided or lacked the abilities to give it: “I like to receive feedback, especially feedback concerning what I did wrong and what can improve. (...) however it is not common to receive such a ‘negative’ feedback”.

Second order theme (b) Unclear Goals Definition – One of the pillars of performance appraisals is target or goal definition (McConkie, 1979), since it is vital to assess performance. Thus, it seemed implausible that so many concepts discussed during the interviews were related to a deficient or an insufficient goals definition. Many employees stated that their goals were vague, subjective and unclear [“two different raters may grade the same employee with completely different grades (...) due to the lack of clear goals”; “the goals that are defined are too vague and subjective”; “I still don’t understand what those goals mean”]; some told that their goals barely related to their job functions (“We are not being evaluated for what is relevant for our job function”); and others emphasized the fact that goals were defined during the year (“Most of my goals are defined in the middle of the year”). In some cases informants even disclosed that their evaluation didn’t include goals at all: “There is no such thing as ‘goals’ in my organization”. This disturbing reality not only undermines the outcome of the performance management policies, but also raises doubts about its relevance to the organizations.

Overarching dimension: Insufficient Planning – The combination of the two described themes pointed to the overarching dimension of Insufficient Planning, where the flaws of the company regarding these categories, and the first order concepts, are related to a lack of a planning culture regarding performance strategy. Companies still fail to understand that performance management systems require a *modus operandi* change in order to succeed and be effective. Planning their communications policy, and preparing their top management and raters to properly communicate with all organization employees is vital to involve them and to achieve the purpose of performance evaluation (Aguinis, Gottfredson and Joo, 2012; Biron, Farndale and Paauwe, 2011; Haines III and St-Onge, 2012; Selvarajan and Cloninger, 2012). The goals definition reality also stresses the inadequate planning of these systems, since it shows that the organizations do not know what to expect from each employee, and fail in the very beginning of the performance management process formulation.

Process and Integrity Issues

For the informants the application of the performance management systems is undermined by the lack of transparency and organizations’ commitment.

Second order theme (c) Transparency issues – The lack of transparency was perhaps the most damaging idea to the justice and integrity of organizations' performance management policies. Informants' absence of trust about performance assessments is based on a sense of an existing favoritism or preferentialism culture in Portugal: "(...) some people are favored, specially if they have a famous family name". Employees believe that performance appraisals are manipulated and raters serve primarily their personal interests and the organizations' hidden agenda: "In the end the graders may change grades in their own interest, to please someone, or some unknown interests". When corruption issues are not raised, informants still doubt about performance evaluations outcomes, because of their bias nature and political influence: "my colleagues complain that their personal relationship with their manager has a negative impact on their final grades". For our interviewees there is always a way of perverting performance assessments, and consequently always a reason to question it.

Second order theme (d) Organization's Commitment – If the organization does not signal their commitment with correctly assessing and manage their employees' performance, it is difficult to involve all organization's members around it (Biron, Farndale and Paauwe, 2011). This commitment can be expressed in many different ways, for instance in the way their managers and raters promote and apply performance evaluation, how organizations prepare their resources to the task, or how they plan the development of their human assets. All these examples were pinpointed by employees as organizations' flaws, and contributed to the idea that performance management is not a priority to many companies: "Leaders just don't care about assessing employees' performance", "I doubt that my organization prepares raters to assess employees", and "our organization doesn't have career progression plans for any employee". In fact many employees believe that organizations feel the obligation, more than the need to have a performance management policy: "I believe that most of the companies do performance evaluation because they have to, so they can say they perform the best management practices." – defended one informant.

Overarching dimension: Process & Integrity Issues – This dimension relates to the systems' implementation, and discloses how it fails to built credibility and reliability. Both second-order themes that led to this overarching dimension challenge the purpose and the outcomes of the performance management tools. It is difficult to rely and trust the performance evaluation process when it lacks support in its own organization, and when crucial conditions are not guaranteed (Biron, Farndale and Paauwe, 2011; Haines III and St-Onge, 2012). On another perspective, the transparency issues raised by informants question the legitimacy of the evaluation process, and the justice of its outcomes. Palanski and Yammarino (2009) point out that "Organization integrity will be positively related to absolute level of organization

performance”, which implies that performance management practices are ineffective when transparency issues are raised, and the organization’s integrity is in doubt.

Non-Meritocratic Logic

The two most frequent themes described by informants, the equality logic of the performance assessment and its lack of consequences, were paired in the same dimension due to its reference to performance management consequences in Portugal.

Second order theme (e) Equality Logic – “The problem of performance evaluation in Portugal is that there is a big fuss related to equality and equity”, stated one of the informants assertively right in the beginning of her interview. This perception was shared among many other informants and most referred that their own organization had some traits of equality behavior, despite the fact that almost all had performance management systems implemented: “Grades are almost the same for every employee”, or “we know that most of us will have a (score of) ‘2’ ”. This incongruent conduct, is revealed through strong quota systems impositions – “In my organization (more than 200 people) only one employee per year can have a grade of ‘Excellent’ (top grade)” – or simply by giving the same grade to all employees throughout the years. Likewise, most Portuguese organizations seem uncomfortable to enhance high performers. Yet, the reasons for this practice are not quite clear. One informant risked that “it may be because organizations have nothing to offer to high-performers and this is a way to lower expectations”, and another referred that organizations believe that enhancing high-performers will make them relax in their job duties. The same informant mentioned in the beginning of this theme justifies this reality: “Historically we (Portuguese society) are still very attached to the ‘recent’ acquired rights (as a reference to the implementation of the Portuguese democracy in 1974), (...) and we still believe that labor justice is to give all workers the same benefits and privileges.”

Second order theme (f) Inconsequence – Our research disclosed that performance management consequences are key to involve employees around its purpose, and to create empathy between employees and organizations. People don’t want “just” to be evaluated, they want their performance to have an impact on their careers and on their benefits: “The possibility to grow that is given by the performance management may be very interesting to employees, yet that is a very ‘romantic’ idea. In the end, what it counts is the impact it has on people’s careers.” Employees do not accept for long to have an evaluation without consequences, since it creates a sense of disbelief around performance policies (“My evaluations never had an impact on my career progression. (...) I doubt that the end of year bonus is based on performance. This is very demotivating”), and around their future in the

organizations (“In Portugal career progression (...) is a way people have to take and where performance is irrelevant”). Also in terms of motivation, there might not be anything worse than doubting about the organizations’ long-term projects and perspectives concerning their employees. However, having consequences for their own performance is not the only employees’ concern regards this theme. They also want to testify organizations’ actions towards other employees’ performance, in order to recognize the justice of the performance management practices: “no one would ever be fired because of a bad evaluation”; “they could have a bad grade for 10 years that nothing would happen”.

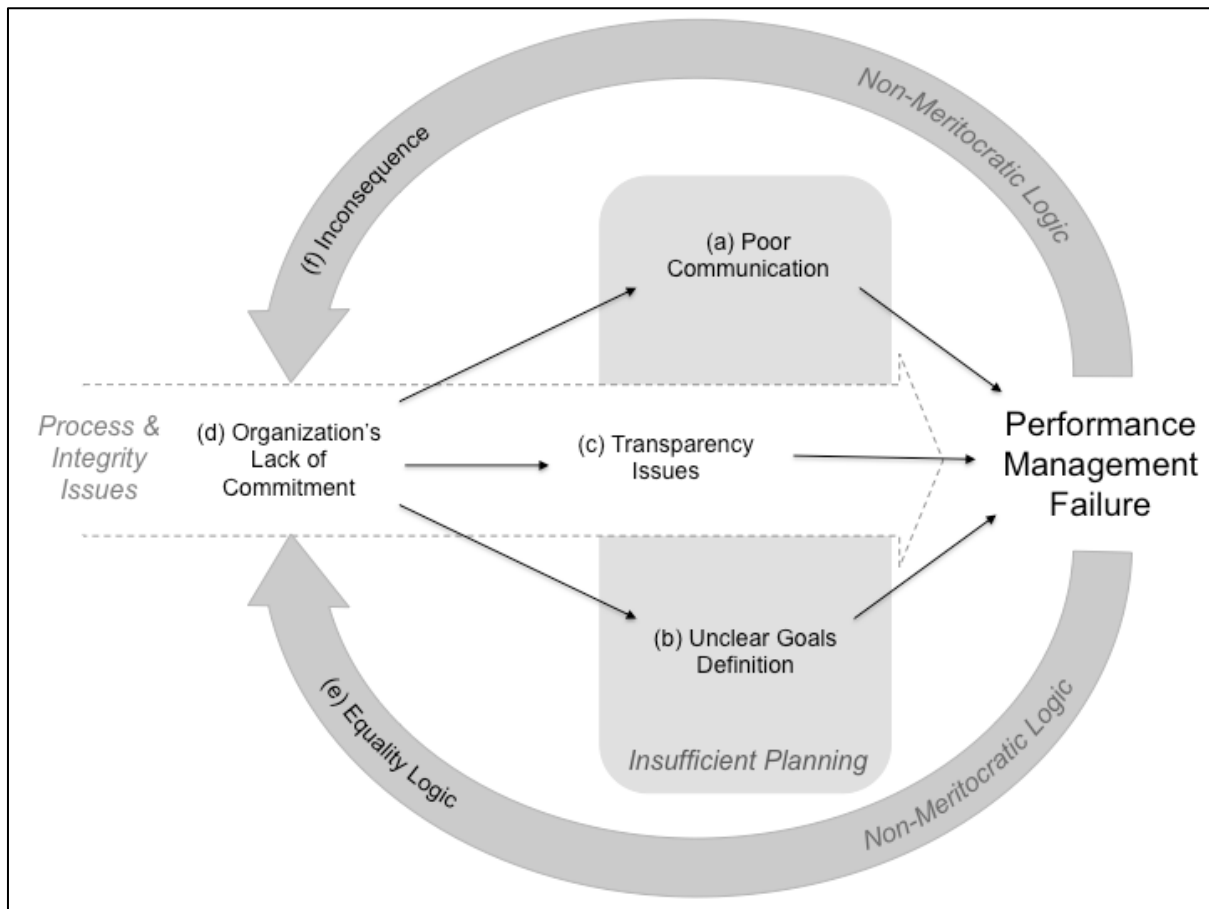
Overarching dimension: Non-Meritocratic Logic – The last overarching dimension concerns the merit, more precisely the non-existence of a meritocratic culture in Portugal. According to Scully (1997), as summarized by Castilla and Benard (2010), meritocracy is a system where “merit or talent is the basis for sorting people into positions and distributing rewards”. Therefore, this overwhelming dimension is a result of the lack of consequences and the idea of an equality culture in Portuguese organizations. Nonetheless, it might be the one that have the highest impact on the poor outcome of performance management practices in Portugal. For our informants meritocracy is a synonym for labor justice, and that was precisely what most of the organizations lacked – as many interviewees saw performance appraisals and consequently performance management as an unfair process. Employees wish to be valued and pointed as an example almost as much they want to be compensated for their performance. This dimension not only would legitimate and bring justice to the performance management practices, but also motivate them to improve their performance and grow as professionals.

Theoretic model of performance management failure in Portugal

In the beginning of the present chapter, the authors presented the data structure that resulted from the analysis of the first-order data. Thus, **Error! Reference source not found.** offers the static representation of the three steps of our approach, exemplifying the data construction that lead to the second-order themes and the overarching dimensions. Following Clark’s et al. (2010) approach, Figure 2 is an authors’ effort to understand the temporal interrelations that exist between the different themes and overarching dimensions, identified through this model construction process. Once again the basis for this model was the first-order data obtained in the interviews.

The model suggests that performance management in Portugal may be in a vicious cycle, as the temporal relationship illustrate that the existing practices preserve the status quo.

Figure 2 – Model of performance management failure in Portugal



Consistent with Biron, Farndale and Paauwe (2011) conclusion, that senior management involvement in the performance management systems has a direct on its implementation, our model highlights the Organizations' commitment role (where management involvement is considered) on the outcome of Performance management. Organization's lack of commitment is fatal, because it affects directly the formulation and implementation process of performance management systems, and for this reason impacts all its components. Three themes are therefore a consequence of the Organization's Lack of Commitment: Poor Communication, Unclear Goals definition, and Transparency Issues. Biron, Farndale and Paauwe (2011) stress the relevance of both communication and goals definition towards successful performance management programs, as these two categories are a sign of the organizations' interest on these kind of programs. Transparency has the exact same effect: "When a organization does not fight the lack of transparency of its own performance management program, it becomes obvious that this program is a parody", stated one informant. Not surprisingly when these practices fail, they compromise the credibility of the system leading to its failure.

Performance management practices that fail are unable to create adequate consequences and to distinguish its best employees, further damaging the performance process (Haines III and St-Onge, 2012). Consequently the organization's commitment diminishes, since this outcome discourages performance programs adherence. At this point the performance process becomes a vicious cycle, as the poor outcome of performance programs influence negatively the next cycle of performance management, and the bad practices keep spreading.

Yet, according to Masuch (1995), the acknowledgement of the existence of a vicious cycle in performance management practices in Portugal may be important, since it "provides a target for organizational improvement".

DISCUSSION

Our findings confirmed the bad management practices indicators that based this research. Yet, our aim was not only to confirm those indicators, but also to identify the causes for this reality. What our findings suggest is that the major failure of performance management in Portugal is related to the process of the performance assessment. It is our belief that an organization that is not able to assess correctly the performance of its employees, cannot manage successfully their performance.

The main practical implication of this research is the idea that organizations that implement performance management systems with some of these bad practices, are in fact jeopardizing the performance management opportunity, and supporting instability inside the organization. In a theoretical level it would do less harm to a company not to assess performance at all, since employees would not question the organization's purpose in implementing this kind of systems, or its integrity.

The authors believe that this research gives an important contribute in identifying the top reasons why performance management tend to fail in Portugal, making it easier for organizations to test those problems within their systems. Likewise, the resolution of the process problem becomes more comprehensible, since the findings openly state the flaws and the problems to be mitigated. In order to solve the performance management problem, organizations would need to: plan correctly performance assessment; involve and educate all their professionals, especially the ones that evaluate; promote transparency and tackle favoritism and preferentialism cultures; promote outcomes and consequences for the appraisal practices; and finally but most relevant, to be committed with the purpose of

performance management, as well as promoting through all organization that commitment and objective. In other words, organizations would be required to create a culture that superimposes the country's culture. It may not look apparent, but some international companies have done it, so it is proven that is possible. Furthermore, another remarkable finding of this research was that employees of companies that are successful implementing performance management systems feel privileged, more valued and valuable for their companies.

Limitations and boundary conditions

As we stated in the beginning of this thesis, we tried to develop this research as broader as possible, including professionals from different professions, industries, ages, backgrounds, and hierarchical positions. However, as we were performing our field research it became clear that most top managers were not providing their personal experience about performance management, but instead they were presenting us with the institutional message regarding performance. Basically, they merely explained the performance management systems plan. As soon as we understood this pattern, we quit doing interviews to top managers, since there was little value added in each new interview. Consequently, the first limitation of our research is related with the reduced insight from top management. The second is related with the size of the organization, more precisely with absence of information from small company employees. We managed to interview people from corporate and middle size companies, but it was difficult to find people from small companies that had experienced performance management systems. Therefore, we cannot generalize the conclusions of this research to this kind of companies, since we don't even know if such systems are even applied in small companies.

Finally, it is important to acknowledge that this research was only meant to focus the Portuguese practices of performance management, and therefore, it is limited to the boundaries of companies operating in Portugal.

CONCLUSIONS

The performance management discussions from the late years, as well as the management studies that question Portuguese management practices, have motivated the authors to study in-depth the performance management reality in Portugal. As we hypothesized, performance management practices are not achieving the desired goals, and we corroborated the World Economic Forum and Bloom's et al. conclusions regarding

Portugal's performance management practices. Our comprehensive research led us to rationalize the performance management failure into three key dimensions, Insufficient Planning, Process & Integrity Issues, and Non-Meritocratic Logic. These dimensions embrace themes and concepts that were directly reported by our informants, the employees. They criticize the organizations' lack of commitment regarding performance management, revealed in other practices such as the goals definition process, which is quite unclear, the poor communication standards, or the transparency of the performance appraisals. In terms of outcome, they are unhappy with the scarcity of consequences and they repudiate the existing equality culture in the country. To make things worse we have concluded that the performance management practices entered in a vicious cycle, with bad managerial outcomes resulting in even worse practices, making it even more difficult to break the cycle, to improve the system and solve the managerial problem. On the other hand, this research identifies the existence of a vicious cycle, and presents clearly the flaws pointed by employees, exposing where companies can tackle the performance problem (Masuch, 1995).

We aimed to understand and give an answer to a management problem that we believe is crucial to the Portuguese society. The finding and answers that resulted from this research are not conclusive, and may not explain all the issues related to this problem. Therefore, this research can be further developed and new perspectives may arise.

Although it might be clear the relevance of a successful performance management system at an organizational and motivational level, its relation to the companies' performance cannot be inferred (Denisi and Smith, 2014). Despite being a relevant relationship to investigate, it was out of the scope of this research. Therefore is not possible to claim that the result of this research will help to improve Portuguese companies to perform better.

Portuguese organizations' have a lot to improve regarding performance management. Fernandes and Moreninho (2012) reveal that every year more and more Portuguese companies are implementing performance management programs. However, and as we prove throughout this thesis, that does not mean that they are doing better in terms of managing performance. As pointed out earlier in the document, in line with Haines' et al. (2012) conclusion, performance management effectiveness is a lot more than just creating a performance management system and introducing best practices, it is also a matter "of programme implementation and execution in different organizational contexts". Organizations need to recognize this, before they can finally benefit from their own performance management policies... and how incredible would that be?

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